2.3 General Funds Management Functionality

The following section contains funds management solution information to support specific concepts and principles within the SCEIS solution. The information does not contain a series of decisions open or reached by the workshop participants but, has been included within the business blueprint in order to place context around the solution.

2.3.1 Split Processor

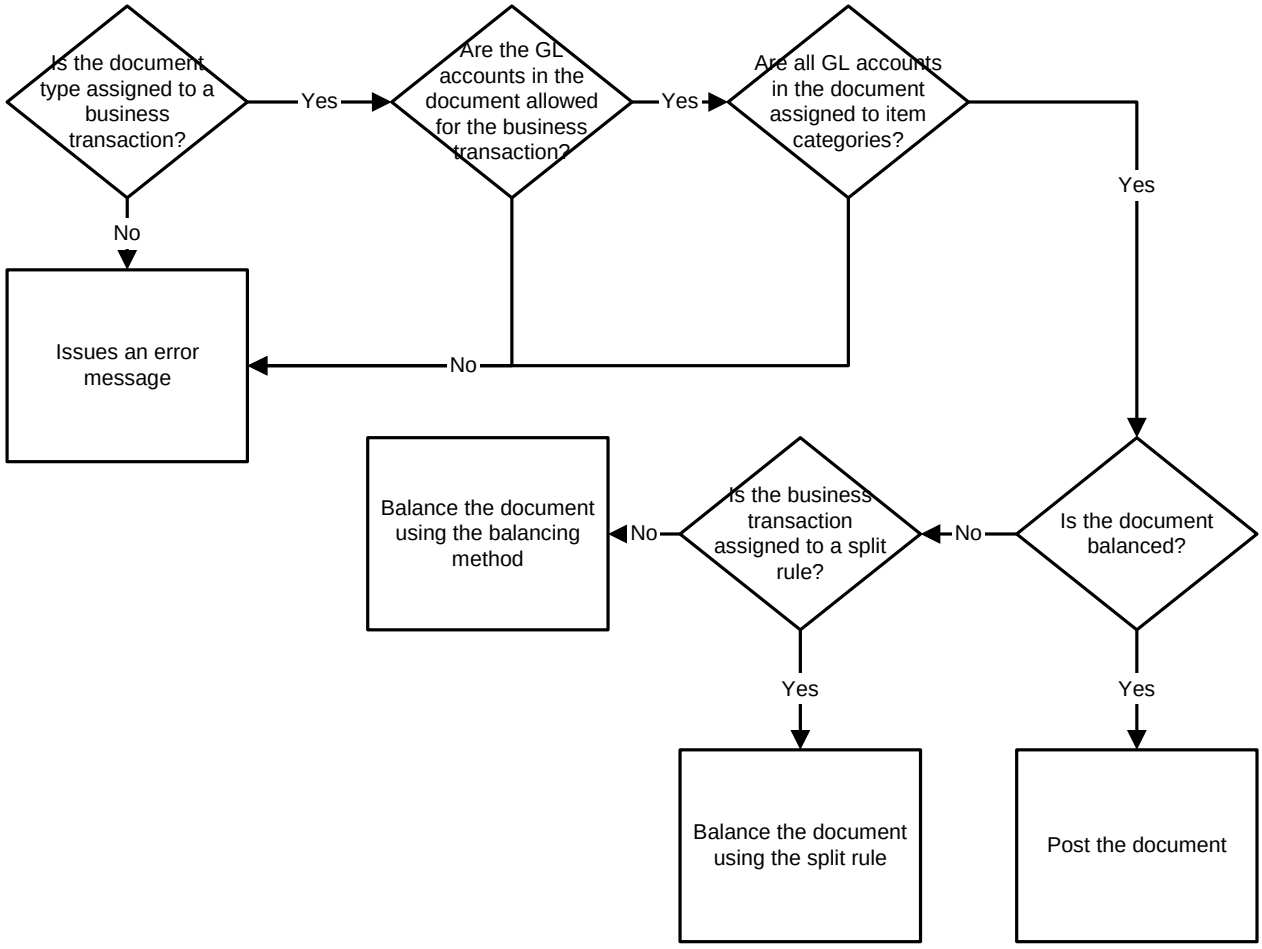
Transaction splitting can be influenced by the financial document type or financial accounting transaction involved, as well as by the general ledger accounts entered. The State can include validations, which check that each document contains specific general ledger accounts. The State can also prevent postings for predefined general ledger accounts. A separate split ledger is assigned to the applicable company code, with the appropriate fields (business area, fund, and grant) determined for the splitting.

As an example, if a vendor invoice is entered with the expense lines posted to two funds, the SCEIS solution will balance the document automatically. To properly post this document based on fund accounting principles, a document is created in the main financial accounting ledger, which is linked to the original accounting document. Not only is the invoice split, but also the subsequent documents in the processing chain. The underlying split ratio is determined by looking at the initial invoice. The split ledger will automatically split the documents according to this ratio.

For documents where no line needs to be split, the split ledger ensures that for the splitting criteria only balanced postings are created. The system creates the offsetting entry automatically, using a special clearing account assigned in configuration.

The split processor configuration begins with the assignment of the splitting method and fields to be used for splitting. In addition, the actual configuration of the general ledger accounts and related splitting rules needs to be done to finalize and activate the split processor within the system. Below are illustrations of the split processor logic and configuration.

Exhibit 2.3.1-1 Split Processor Splitting and Balancing Process



Note that standard business transactions related to vendor invoices, customer invoices, bank accounts, goods receipts, payments, and clearing transactions are configured for use with the SCEIS solution system transactions, item categories and related reconciliation accounts. For transactions generated outside of the SCEIS solution, the unspecified posting business transaction may need to be used instead, if the standard SCEIS solution processes are not used for these postings.

Variants are used to change the behavior of the split processor for the different business transactions. One variant is delivered for each business transaction. Additional variants can be created.

Document types must be linked to the business transactions and variants. Any time a new document type is created, they must be configured for the split processor; otherwise, postings using the new document type will not be able to be processed.

If standard document types are misused, and documents created with these document types do not contain the required item category (e.g. vendor invoices are required to have a vendor item category, customer invoices are required to have a customer item category, inventory documents are required to have materials, payments are required to have a bank account, etc.), the split processor will not allow these documents to be processed. In this case, in order to process these documents, a new variant will need to be created for the business transaction that does not have the fields required (e.g. vendor, customer, bank account, material, etc.), temporarily assigned to the document type to process the document, and then the standard variant reassigned after the documents are processed.

Item categories are system defined values that are used to group together general ledger accounts by type of behavior within the split processor. All general ledger accounts within a chart of accounts must be assigned to item categories. The split processor will not allow postings to unassigned general ledger accounts. As a result, the best approach for creating general ledger accounts is in logical ranges of account numbers. This allows for entire ranges of accounts to be assigned within the split processor and prevents future problems when new general ledger accounts are created.

Based on the rules defined in the various business transactions and related variants, documents will be balanced by business area, fund and grant using two methods:

1. Splitting
2. Balancing

The splitting method will take the pre-determined split item category within an accounting document and generate multiple lines for this item category within the special ledger document, based on other item category balances within the accounting document. In order to split properly, the business area and fund on the original item category line to be split must be left blank.

The balancing method will generate new lines within the special ledger document, balancing the results of the other item category lines using the configured clearing account(s) (generally representing a net of pooled cash activities).

A constant business area, fund and/or grant can be used when posting to certain item categories. Constants are created and are assigned to specific item categories in customizing. Constants can be utilized when using a central payroll agency fund and for a central treasury fund using the pooled cash and investments concept.

As an accounting document is posted within the general ledger, a special ledger document is created simultaneously, processed through the split processor rules where additional lines are added that balance the accounting document by business area and fund, and posts to the fund accounting ledger.

The split processor for fund accounting purposes can split transactions by three dimensions:

1. Business area
2. Fund
3. Grant

Additional dimensions, while available, are not recommended for public sector accounting. The dimensions should be viewed as the level in which financial statements may be required to be generated. As additional dimensions are added, additional splitting and balancing activities are required.

When a document that is split has a subsequent clearing that updates cash accounts (e.g. a check is issued against multi-funded vendor invoices), then the splitting done on the original document is also used for the cash payment upon clearing of the invoice with the payment.

If no splitting has been configured for document type and item categories within a document type, the document is then balanced using an inter-business area/inter-fund/inter-grant clearing account.

If, and only if, absolutely necessary, the inter-business area/inter-fund/inter-grant clearing postings can be offset by posting entries to other general ledger accounts (bank accounts or actual due to/due from accounts).

Partner business area, partner fund and grant are updated during the balancing method in order to track the inter-business area, inter-fund and inter-grant transactions. This allows full reporting of

due to/due from transactions to provide for cash balances to be cleared daily and sets the stage for implementation of the pooled cash and investments within the SCEIS solution.

2.3.2 Derivation Tool

In order to streamline data entry and make using the SCEIS solution as simple as possible, there are standard and user-defined flexible links available between the master data of the individual components. The funds management derivation tool is the primary method for automatically linking funds management master data with other components.

The derivation tool consists of a sequence of the SCEIS solution delivered or user-definable derivation steps that, based on a user-definable sequence, subsequently determine the account assignment values to be used during updating to funds management (in particular to the fund, funds center, commitment item, functional area, funded program, or grant) from other account assignments in Funds Management or in other components such as the cost center, internal order, WBS element, general ledger account, and so on.

A complete funds management account assignment must be entered (commitment item, funds center, fund, functional area, funded program, grant) for each funds management-relevant posting. Account assignment derivations reduce the number of account assignments that have to be entered manually in funds management or other components such as financial accounting or controlling when users make manual postings. This limits the effort required on behalf of the end-users to make a posting to the SCEIS solution.

If there is a logical dependence between funds management account assignments and account assignments from other components, such as financial accounting or controlling, the values in the funds management account assignments can be derived automatically from the other account assignments. The derived values appear as default values, which can be overwritten if necessary. This automatic derivation is called a derivation strategy. The State must activate the derivation steps relevant for its organization. The State must define their own derivation strategy, however, the State can use one of the derivation rules provided by the SCEIS solution as a template.

There are different derivation types, which can be used to map different logical dependencies between source and target fields.

- Derivation rule: A rule that defines which account assignment values of the source field or a combination of source fields leads to account assignment values. The fixed account assignment values of the source and target fields are maintained in one of the tables assigned in the rules.
- Table lookup: The key field of a table is used as the source field in order to fill target fields with the field content of the key field.
- Move: The field content of a source field or a constant can be moved to a target field.
- Clear: A rule that clears certain field content of an account assignment.
- Function call: Users cannot define these, but users can include the function calls defined by the SCEIS solution in the State derivation strategy.

Since there are parallel structures (1:1 relationships) between Controlling and Funds Management, the State will use a move to derive a funds center from a cost center.

2.3.3 Budget Control System

The Budget Control System (BCS) will be used as the SCEIS solution for budget execution. The budget execution application enables the State to do the following:

- Enter and update budget data.
- Carry out year-end closing in a user-friendly fashion.
- Store budget versions. Individual budget estimates are maintained in the form of budget versions, ensuring that all interim steps in the planning process up to and including final budget approval are documented. Once the budget has been approved, it may need to be distributed to the responsible authorities and subordinate organizations using a “top-down” approach.
- Carry out active availability control, which draws on the budget to verify that all expenditures are within the limits set by the available budget.

The SCEIS solution will use BCS for managing and controlling budgets. By using BCS, the State will be able to precisely control the availability of budget by:

- Specifying the budget values to be checked using filter settings
- Setting tolerance limits for a budgeting process

- Defining availability control checking procedures for the updated and summarized budget, as well as for commitment and actual postings
- Performing multi-level active availability control in order to identify possible budget underruns or overruns when funds are being committed
- Using several availability control functions

Once the relevant master data dimensions have been chosen and the master data is set up, the State uses the budget structure to define the permissible combinations of master data values.

The budget structure represents all the funds centers, commitment items, functional areas, and funded programs for which the budget has been defined. A similar but independent structure is available to control the posting of commitments and actuals. The structure contains the fund, funds center, and commitment item combinations from the entire hierarchy for which the State will enter budget and posting data, making the State budget allocation transparent.

The information recorded in Funds Management provides for passive availability control in the form of a budget monitoring report. For active availability control, the system compares budget consumption with budget limits each time a document is posted in Funds Management. To determine budget usage, the system automatically takes into account all relevant business transactions (for example, an invoice and the earmarked funds document it references).

Availability control (AVC) deals with three user-defined levels:

- Define the budgeting level (what can be budgeted).
- Use the derivation tool to specify the control level. This is the level at which active availability control is enforced and specified in the budget structure. The commitment management process ensures that the budget is not used twice.
- Account assignment level defines the level at which funds management postings are made which can be at or below the controlling level.